

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 LAB-04
SIL-01 SSC-01 EB-08 COME-00 TRSE-00 SEC-01 OES-06
INT-05 FEA-01 NEA-10 OMB-01 SCS-03 SCA-01 IO-13 SAJ-01
AID-05 AGRE-00 /117 W

-----212212Z 002659 /63

R 211852Z JAN 77

FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 6314
INFO AMEMBASSY BOGOTA
AMEMBASSY BRIDGETOWN
AMEMBASSY GEORGETOWN
AMEMBASSY PORT OF SPAIN
USCINCSO QUARRY HEIGHTS
USCINCLANT NORFOLK VA

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E.O. 11652: N/A

TAGS: PFOR, PBOR, PINT, MPOL, ELAB, CIEC, PINS,

CU, CO, VE

SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 0420 (NOTAL)

SUMMARY. AD PARTY NATIONAL DIRECTING COMMITTEE DECIDED TO
HOLD SECRET AND DIRECT BALLOTING TO COSE ITS PRESIDENTIAL
CANDIDATE, A MOVE WHICH MAY INCREASE JAIME LUSINCHI'S
CHANCES OF CAPTURING THE NOMINATION FROM FRONT-RUNNER
LUIS PINERUA ORDAZ. PEREZ GUERRERO CRITICIZES MCNAMARA
INITIATIVE AND PLANS TO MEET SOON WITH HIS CIEC COUNTERPART,
ALLAN MACEACHEAN. PRESIDENT PEREZ BRIEFS OPPOSITION LEADERS
ON GULF OF VENEZUELA BORDER ISSUE. PROPOSAL TO PUT NATIONAL
GUARD UNDER INTERIOR MINISTRY IS ON BACK BURNER. CUBAN
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EVIDENCE HAS BEEN INCORPORATED INTO JUDGE'S CASE AGAINST
CUBANA AIRLINE PLOTTERS. RUBBER WORKERS END STRIKE.
COMPTROLLER GENERAL CRITICAL OF TAX REFORM PROPOSALS.
END SUMMARY.

1. AD TO CHOOSE PRESIDENTIAL CANDIDATE BY DIRECT ELECTION.
THE NATIONAL DIRECTING COMMITTEE (CDN) OF THE RULING AD

PARTY UNANIMOUSLY DECIDED JANUARY 15 THAT AD'S 1978 PRESIDENTIAL CANDIDATE SHOULD BE ELECTED DIRECTLY BY SECRET BALLOT BY THE ENTIRE MEMBERSHIP OF THE PARTY INSTEAD OF PUBLICLY (BY SHOW OF HANDS) AT A PARTY CONVENTION AS IN YEARS PAST. THE DECISION OF THE CDN, WHICH IS THE SECOND-RANKING POLICY MAKING BODY WITHIN AD AFTER THE PARTY CONVENTION WAS ENTHUSIASTICALLY SUPPORTED BY AD CONGRESSIONAL LEADER JAIME LUSINCHI, WHO WOULD APPEAR TO HAVE THE MOST TO GAIN FROM A DIRECT ELECTION IN HIS DRIVE TO BECOME THE AD NOMINEE, BY AD SECRETARY GENERAL LUIS PINERUA ORDAZ, THE CURRENT FRONT-RUNNER FOR THE NOMINATION AND BY PRESIDENT PEREZ. A THIRD INGREDIENT WAS ADDED TO AD'S 1978 ELECTORAL RECIPE WHEN AD PRESIDENT GONZALO BARRIOS PUT FORWARD SENATOR REINALDO LEANDRO MORA'S NAME AS A THIRD CANDIDATE FOR THE AD NOMINATION WITH CDN APPROVAL. ELECTION OF THE AD NOMINEE IS EXPECTED TO TAKE PLACE IN JULY. IF LEANDRO STAYS IN THE RACE TO THE END, THE EFFECT OF HIS CANDIDACY COULD BE TO DIVIDE THE ANTI-PINERUA VOTE WITHIN THE PARTY BETWEEN HIMSELF AND LUSINCHI.

2. VENEZUELAN MINISTER CRITICAL OF MCNAMARA INITIATIVE. DR. MANUEL PEREZ GUERRERO, MINISTER OF STATE FOR INTERNATIONAL ECONOMIC AFFAIRS, HAS ISSUED A PUBLIC STATEMENT (SEE CARACAS 626) CRITICAL OF WORLD BANK PRESIDENT MCNAMARA'S PROPOSAL FOR THE CREATION OF A GROUP OF NON-GOVERNMENT PERSONALITIES TO ANALYZE ECONOMIC RELATIONS BETWEEN DEVELOPED AND DEVELOPING NATIONS. ACCORDING TO PEREZ GUERRERO, THE MCNAMARA INITIATIVE WOULD CREATE AN ORGANIZATION PARALLEL LIMITED OFFICIAL USE

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TO THE NORTH-SOUTH CONFERENCE AND HE SAID IT WOULD BE PREMATURE TO ESTABLISH A PRIVATE MECHANISM BEFORE THE INTERGOVERNMENTAL NORTH-SOUTH DIALOGUE HAD RUN ITS COURSE. HE SAID HE BELIEVED 1977 OFFERED AN OPPORTUNITY TO ACHIEVE CONCRETE RESULTS WITHIN THE CONTEXT OF THE NORTH-SOUTH DIALOGUE, AND THAT IS WAS MOST IMPORTANT FOR THOSE INVOLVED TO WORK FOR A SUCCESSFUL CONCLUSION OF THE PARIS CONFERENCE.

3. PRESIDENT PEREZ PREPARES GROUND FOR FURTHER NEGOTIATIONS WITH COLOMBIA ON GULF OF VENEZUELA BORDER ISSUE. ON JANUARY 17-18, PRESIDENT PEREZ BRIEFED OPPOSITION PARTY LEADERS ON GOV THINKING ON THE COLOMBIA BOUNDARY DISPUTE (CARACAS 0562). THE PRESS REPORTED, AND AN INFORMED COPEI OFFICIAL CONFIRMED PRIVATELY TO US, THAT THE GOV PROPOSALS INVOLVED SUGGESTING THE CREATION OF TWO JOINT MIXED ENTERPRISES ON EACH SIDE OF THE BORDER TO DEVELOP POTENTIAL OIL RESOURCES. FURTHER, WE UNDERSTAND THAT THE TEXTS OF THE PROPOSALS HAVE BEEN AVAILABLE TO THE OPPOSITION PARTIES. HOWEVER, PRESIDENT PEREZ DENIED

CATEGORICALLY TO THE PRESS ON JANUARY 20 THAT MIXED ENTERPRISES ARE PART OF PACKAGE. PEREZ DID NOT SAY THAT HIS INTENTION WAS TO INFORM PUBLIC OPINION ON THE STATUS OF DISCUSSIONS. HE REITERATED THAT NO AGREEMENT IS IMMINENT, AND SAID IF DISCUSSIONS GOT TO POINT OF ACTUALLY DISCUSSING FORM OF TREATY, COUNTRY WOULD BE INFORMED. PRESENT STATE OF PLAY HE STRESSED MERELY INVOLVES CONSULTATIONS. SINCE WE ARE VIRTUALLY CERTAIN ORIGINAL PACKAGE CONTAINED MIXED ENTERPRISES PROPOSAL, WE PRESUME PEREZ' DENIAL STEMS FROM OPPOSITION FLAK TO THE IDEA, PARTICULARLY THE SUGGESTION OF COLOMBIAN OWNERSHIP (EVEN ON A MINORITY BASIS) OF ENTERPRISES ON VENEZUELAN TERRITORY.

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4. CHANGE OF NATIONAL GUARD TO INTERIOR MINISTRY SHELVED.
THE NEW MINISTER OF JUSTICE, DR. JUAN MARTIN ECHEVERRIA TOLD US CONFIDENTIALLY THAT THE GOV HAS DEFINITELY DECIDED NOT TO PLACE THE NATIONAL GUARD UNDER THE JURISDICTION OF THE MINISTRY OF INTERIOR AT LEAST FOR THE REMAINDER OF PRESIDENT PEREZ' TERM (MARCH, 1969), A VIEW WHICH HAS BEEN CORROBORATED BY SEVERAL VENEZUELAN POLITICIANS. THE PROPOSAL HAS BEEN UNDER GOV CONSIDERATION FOR SOME MONTHS AND WOULD HAVE

REMOVED COMMAND AUTHORITY, ADMINISTRATIVE AND BUDGETARY CONTROL FROM THE HANDS OF THE MINISTRY OF DEFENSE. BOTH THE MILITARY AND OPPOSITION PARTIES ARE OPPOSED TO THE CONCEPT, THE FORMER BECAUSE THEY WOULD HAVE LOST CONTROL OVER THE NATIONAL GUARD, AND THE LATTER BECAUSE THEY FEAR THAT THE NATIONAL GUARD COULD, IN THE HANDS OF A ZEALOUS PRESIDENT, BECOME A POTENTIAL TOOL FOR POLITICAL REPRESSION.

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5. CUBANA AIRLINE CASE - CUBAN EVIDENCE INCORPORATED INTO JUDGE'S FILE AGAINST ALLEGED PLOTTERS. JANUARY 17 SPECIAL JUDGE DELIA ESTABA RECEIVED THE GOV'S FILE OF CHARGES AGAINST THE SUSPECTS ACCUSED OF BOMBING THE CUBANA AIRLINE JET OCTOBER 6 OFF BARBADOS. ACCORDING TO PRESS REPORTS, THE FILE CONTAINS EVIDENCE SENT BY THE CUBAN GOVERNMENT, INCLUDED INFORMATION PROVIDED BY CUBAN CIVIL AVIATION AUTHORITIES. ON A RELATED MATTER, A SUPERIOR COURT JUDGE RECENTLY DENIED A REQUEST BY ORLANDO BOSCH'S LAWYER THAT JUDGE ESTABE REMOVED FROM THE CASE BECAUSE OF BIAS.

6. RUBBER WORKERS END STRIKE. THE RUBBER WORKERS UNION AND GOODYEAR, FIRESTON, AND UNIROYAL ALL AGREED TO ACCEPT THE RECOMMENDATIONS OF A SPECIAL ARBITRATION COMMISSION NAMED BY PRESIDENT PEREZ THUS OFFICIALLY ENDING THE RUBBER STRIKE WHICH BEGAN IN MID-NOVEMBER. SOME WORKERS HAD RETURNED TO THE JOB IN DECEMBER WHEN THE ARBITRATION COMMISSION WAS ESTABLISHED BUT PRODUCED FEW TIRES. THE SETTLEMENT COMPROMISED ON THE FORTY-HOUR WEEK ISSUE TERMINATING THE SATURDAY DAYLIGHT SHIFT AT NOON, THE SWING-SHIFT AT 6:00P.M. AND ELIMINATING THE SATURDAY NIGHT SHIFT ALTOGETHER. THE WORKERS ROTATE SHIFTS EVERY WEEKS SO IN ESSENCE THEY WILL HAVE VERY THIRD SATURDAY FREE UNDER THE NEW CONTRACT. THEY ALSO GAINED TWO NEW VACATION DAYS DURING HOLY WEEK AND SUBSTANTIAL WAGE INCREASES. WHILE BOTH SIDES HAVE BEEN OBLIGED TO ACCEPT THE AGREEMENT THERE IS STILL CONSIDERABLE UNHAPPINESS ON THE PART OF MANAGEMENT OVER CURTAILMENT OF MANDATORY WORK ON SATURDAY AND A CLAIMED INCREASE OF 50 PERCENT IN OVERALL LABOR COSTS. THE UNION LEADERSHIP HAS YET TO SELL THE SETTLEMENT TO THE RANK AND FILE WHICH REPORTEDLY IS UNWILLING TO ACCEPT A \$234 BONUS FOR EACH WORKER IN LIEU OF ALL CLAIMS TO BACK PAY. SEVERAL MORE DAYS MAY BE NECESSARY TO FIND OUT IF THE IMPOSED SETTLEMENT ACTUALLY BRINGS LABOR PEACE TO THE RUBBER INDUSTRY

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IN VENEZUELA.

7. COMPTROLLER GENERAL CRITICAL OF TAX REFORM PROPOSALS. THE COMPTROLLER GENERAL OF VENEZUELA, JOSE ANDRES OCTAVIO HAS MADE PUBLIC THE RESULTS OF A DETAILED STUDY BY HIS OFFICE OF PROPOSED TAX REFORMS SUBMITTED BY THE GOV TO THE CONGRESS LATE LAST YEAR. ACCORDING TO PRESS REPORTS, THE STUDY CONCLUDES THAT REFORM IS NECESSARY, BUT IS CRITICAL OF THE GOVERNMENT'S PROPOSALS. THE MAJOR CRITICISMS MADE IN THE STUDY REPORTEDLY ARE: (A) NO PROVISION IS MADE FOR A TAX ON CONSUMPTION, ESPECIALLY OF LUXURY GOODS, (B) IT DOES NOT ADVOCATE A MORE SPECIFIC TAX CODE, (C) THE PROBLEM OF REORGANIZATION AND REFORM OF THE ADMINISTRATION OF TAXES IS NOT FULLY ADDRESSED, AND (D) CAPITAL GAINS WOULD NOT BE TAXED SEPARATELY. BECAUSE OF THE OFFICIAL NATURE OF THE REPORT, IT IS RECEIVING WIDE PRESS ATTENTION IN VENEZUELA AND MAY BE EXPECTED TO INFLUENCE THE CONCLUSIONS OF THE SPECIAL TRIPARTITE TAX COMMISSION APPOINTED BY PRESIDENT PEREZ LAST MONTH.

8. OTHER REPORTING THIS WEEK INCLUDED BORDONI EXTRADITION CASE (CARACAS 0523); LOS (CARACAS 0488); ANNUAL LABOR REPORT (CARACAS A-009); FIVE MAJOR PROJECT REPORTS -- WATER PROJECTS (A-007), GURI, RAILROAD AND METRO BIDS (CARACAS 674), WATER SUPPLY (CARACAS 512), AQUEDUCT, MARGARITA ISLAND (CARACAS 588), SIDOR PLAN IV (CARACAS 596); CIVIL AVIATION: GOV CHARTER REFUSALS (CARACAS 503); OIL RESERVES INCREASE SLIGHTLY WITH NEW WELL (CARACAS 474); KEY ECONOMIC INDICATORS (CARACAS A-010) AND CHILE TO REMAIN MEMBER OF CAF (CARACAS 625).VAKY

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Message Attributes

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